

The Bulletin

Nov.-Dec.
1980

Department of Education

Office of Student Financial Assistance

Notes From the Deputy Assistant Secretary

The recently passed Education Amendments of 1980 provide for the development of a single need analysis to be used for both the Basic Grant and the three campus-based programs (Supplemental Educational Opportunity Grant (SEOG), National Direct Student Loan (NDSL), and College Work-Study (CW-S)). The common need analysis will first become effective for awards to cover periods of enrollment in the 1982-83 award year. This common need analysis will replace the Family Contribution Schedules currently used in the Basic Grant Program and the various need analysis systems for the campus-based programs.

The major parts of the common need analysis are established by statute. Within the guidelines of the statute, the Secretary will have to submit a working need analysis system to Congress—on a yearly basis — for approval. The legislation also specifies that the regulations for the need analysis formula should be developed "in cooperation with representatives of agencies and organizations involved in student financial assistance". Thus, in advance of publishing a Notice of Proposed Rulemaking (NPRM), I am requesting your comments and suggestions concerning the common need analysis formula that will be used in the 1982-83 award year for the Basic Grant and campus-based programs. Following my notes, we have reprinted the pertinent section (Section 482, Need Analysis) of the law. After reviewing the suggestions and comments we receive from the financial aid community, our specific proposals will be published in an NPRM. Following that, we will publish the final regulations for the common need analysis to be effective for the 1982-83 award year.

As you review the legislation for the common need analysis, please keep in mind that there are two kinds of changes brought about by the legislation. First, the law is very specific in some areas. Obviously in those areas, there will be little or no room for discretionary judgment about how the program will operate. The regulations in those areas will mirror the legislation. Second, in other areas, the law simply sets out the general outline or intent of what should be done. In these areas, the Secretary —

in conjunction with the financial aid community — will have to make the specific decisions concerning program policy. Thus, although you can offer suggestions only where it is possible to make decisions, you should be aware of all of the changes in order to keep in mind an overall picture of how the program will operate.

The law provides that for 1982-83, the Secretary must publish a Notice of Proposed Rulemaking (NPRM) for this common need analysis by July 1, 1981. However, we plan to publish the NPRM about three months in advance of the statutory deadline.

Accomplishing this objective will require coordination and compromise by all who are involved in this significant process. The final system will meet the requirements for Title IV programs, and we hope it will be generally acceptable to States and institutions for the distribution of their funds. If possible, we want to continue to maintain a need analysis system which will be compatible for the use of State, private, and institutional aid programs, as well as the Federal programs.

Sincerely,



Thomas A. Butts

"NEED ANALYSIS"

"SEC. 482. (a)(1) For the purpose of determining a student's need for financial assistance under this title (other than under subpart 3 of part A and under part B), the Secretary shall publish in the Federal Register, no later than July 1, 1981, April 1, 1982, and on April 1 of each succeeding calendar year, a proposed schedule of expected family contributions for the academic year which begins after July 1 of the calendar year which succeeds such calendar year for various levels of family income, which, except as is otherwise provided in paragraph (2), together with any amendments thereto, shall become effective July 1 of the calendar year which succeeds such calendar year. During the thirty-day period following such publication the Secretary shall provide interested parties with an opportunity to present their views and

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make recommendations with respect to such schedule. Such schedule shall be adjusted annually.

"(2) The schedule of expected family contributions required for each academic year shall be submitted to the President of the Senate and the Speaker of the House of Representatives not later than the time of its publication in the Federal Register. If either the Senate or the House of Representatives adopts, prior to October 1, 1981, July 1, 1982, or July 1 of any succeeding year following the submission of such schedule as required by this paragraph, a resolution of disapproval of such schedule, in whole or in part; the Secretary shall publish a new schedule of expected family contributions in the Federal Register not later than fifteen days after the adoption of such resolution of disapproval. Such new schedule shall take into consideration such recommendations as may be made in either House in connection with such resolution. If within fifteen days following the submission of the revised schedule either the Senate or the House of Representatives again adopts a resolution of disapproval, in whole or in part, of such revised schedule, the Secretary shall publish a new schedule of expected family contributions in the Federal Register not later than fifteen days after the adoption of such resolution of disapproval. This procedure shall be repeated until neither the Senate nor the House of Representatives adopts a resolution of disapproval. The Secretary shall publish together with each new schedule a statement identifying the recommendations made in either House in connection with such resolution of disapproval and explaining his reasons for the new schedule.

"(3) The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, shall develop a proposed schedule of expected family contributions each year for publication in the Federal Register.

"(b)(1) For the purposes of this section, the term 'family contribution' with respect to any student means the amount which the student and his family may be reasonably expected to contribute toward his postsecondary education for the academic year for which the determination is made, as determined in accordance with regulations. In promulgating such regulations, the Secretary shall follow the basic criteria set forth in paragraph (2) of this subsection.

basic criteria to be followed in regulations with respect to expected contributions are as follows:

amount of the effective income of the effective family income of the student's

the number of dependents of the family of

"(C) The number of dependents of the student's family who are in attendance in a program of postsecondary education and for whom the family may be reasonably expected to contribute for their postsecondary education.

"(D) The amount of the assets of the student and the assets of the student's family.

"(E) Any unusual expenses of the student or his family, such as unusual medical expenses and those which may arise from a catastrophe.

"(F) Any educational expenses of other dependent children in the family.

"(3) For purposes of subparagraph (A) of paragraph (2), the term 'effective family income' with respect to a student, means the annual adjusted family income, as determined in accordance with regulations prescribed by the Secretary, received by the parents or legal guardians of the student minus Federal, State and local taxes paid or payable with respect to such income, and includes any amount paid under the Social Security Act to, or on account of, the student which would not be paid if he were not a student and one-half any amount paid the student under chapters 34 and 35 of title 38, United States Code. The term 'effective family income' includes any effective student income after any offset as determined by regulations prescribed by the Secretary.

"(4) In determining the expected family contribution under this section for any academic year after academic year 1978-1979, an assessment rate of not more than 14 per centum shall be applied to parental discretionary income for families with adjusted gross family income which does not exceed \$25,000 for each such year. The Secretary may set an assessment rate or a series of assessment rates to be applied to parental discretionary income for families with adjusted gross incomes which exceed \$25,000 for each such year for income in excess of \$25,000.

"(5) For the purposes of paragraph (2)(D), the assets shall be determined by—

"(A) excluding all equity in a single principal place of residence from the computation of assets;

"(B) deducting an asset reserve of not less than \$10,000 from the net value of all assets; and

"(C) if net assets include farm or business assets, deducting an additional asset reserve of not less than \$50,000 from the net assets.

"(c)(1) The Secretary shall promulgate special regulations for determining the expected family contribution and effective family income of an independent student. Such special regulations shall be consistent with the basic criteria set forth in

paragraph (2) of subsection (b). In addition, such regulations shall—

“(A) provide that the portion of assets which shall be exempt from assessment for contribution for an independent student who has one or more dependents shall be the same as the portion so exempt for the family of a dependent student;

“(B) provide that the rate of assessment for contribution on that portion of assets of such an independent student which is not exempt under subparagraph (A) shall be the same as the rate applied to the comparable portion of assets of the family of a dependent student;

“(C) in establishing a portion of effective family income which shall be exempt from assessment for contribution by reason of subsistence requirements of independent students who have no dependents, use the same method for computation of such portion for such students as is used for dependent students and for independent students who have dependents;

“(D) in determining the family contribution for an independent student who has one or more dependents, provide that the assessment rate which is to be applied to the student's discretionary income shall be the same as the assessment rate applied to discretionary income of the family of a dependent student; and

“(E) provide that a married student shall be considered independent if, notwithstanding prior dependency status, such student certifies that in the year of application he (i) will not live with parents for more than six weeks; (ii) will not be claimed by parents as a dependent on any tax return filed for purposes of Federal income taxes; and (iii) will not receive more than \$750 in support from parents.

“(2) For purposes of this title, the term 'independent student' means a student who is determined, pursuant to regulations of the Secretary, to be independent of the parents or legal guardians of the student.”

OSFA Issues Information on 1980 ED Amendments

Reprinted below is the information document which was mailed only to financial aid administrators in late October. The document contains guidelines on implementing various provisions of the Education Amendments of 1980 to the Federal student aid programs. These provisions became effective October 1, 1980, except for the series of amendments in the Guaranteed Student Loan Program, which have an effective date of January 1, 1981. The new

common need analysis system will become effective for awards to be used in the 1982-83 academic year.

Revisions have been made to the original document financial aid administrators received last month, so please read carefully the following sections:

- New Administrative Cost Allowance
- NDSL Program—New NDSL Procedures
- Addendum to NDSL Promissory Note
- CW-S—Community Service Learning Program

Student Assistance Education Amendments of 1980 General Provisions

New Administrative Cost Allowance

- The consumer information priority for expenditure of the administrative cost allowance was deleted. The new law provides that the administrative cost allowance is to be used for "offsetting the administrative costs" of the student aid programs.

Institutions participating in the campus-based (NDSL, CW-S, SEOG) programs should be aware of the new provisions pertaining to the administrative cost allowance so that they may draw down the new amounts. Sums used by the institution are for the sole purpose of offsetting the administrative costs of these programs. The new administrative cost allowance for the campus-based programs is based on the total expenditures for all three programs except CW-S expenditures for the Community Service Learning Program (CSLP). Institutions receive a separate administrative cost allowance for the CSLP which is equal to ten percent of the CW-S wages (Federal and institutional share) paid to students employed under the Community Service Learning Program.

Specifically, the administrative cost allowance is calculated for each award year by taking 5 percent of the institution's first \$2,750,000 of expenditures plus 4 percent of the institution's expenditures greater than \$2,750,000 and less than \$5,500,000 plus 3 percent of the institution's expenditures in excess of \$5,500,000. For the entire 1980-81 award year (commencing July 1, 1980) institutions are entitled to the new administrative cost allowance limits described above. However, institutions are not required to recompute their campus-based administrative cost allowance for the period July 1-September 30 if they choose not to do so.

- The administrative cost allowance of \$10 per year for each student who receives a Pell (Basic) Grant at the institution in that award year was changed from a separate appropriation to a reserve from the program's appropriation. An additional Basic Grant Authorization Letter containing preliminary administrative allowance funds for the 1980

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81 award period will be sent to the Regular Disbursement System institutions. Detailed instructions for drawing down and reporting these funds will accompany the Authorization Letter. Schools should not draw down or spend funds until they receive this letter.

Alternate Disbursement System (ADS) institutions will also receive instructions. However, the ADS institutions will not receive their administrative allowance funds until the end of the 1980-81 award period.

- Effective January 1, 1981, each school participating in the Guaranteed Student Loan (GSL) Program becomes eligible to receive, from funds appropriated for the GSL Program, a payment of \$10 per academic year for each student enrolled in that school who is in receipt of a guaranteed loan for that year, or whose parent borrows for that student. The payment is to be used solely for the purpose of offsetting the GSL Program administrative cost to the school.
- Schools are advised to refer to section 177.606 of the GSL Program regulations published September 17, 1979, for guidance on how to count GSL recipients. Note that no borrower may be counted more than once; it must be an unduplicated count of borrowers who have received GSLs during the award year (July 1-June 30). The method of payment is under development and institutions will receive further instructions shortly.

NOTE:

As The Bulletin went to press, the legality of implementing the Basic Grant and GSL provisions under a continuing appropriations resolution was being reviewed.

Need Analysis

- In place of the Family Contribution Schedules — which were used almost exclusively for a determination of Basic Grant eligibility — the reauthorization language calls for a common need analysis to be used by not only the Pell (Basic) Grant Program but also for the campus-based programs. This common need analysis first becomes effective for awards to cover periods of enrollment in the 1982-83 award year. The common need analysis is to be developed in consultation with representatives of agencies and organizations involved in student financial assistance, and is to be submitted annually for Congressional review.

- The new need analysis formula includes the following provisions:

- A maximum parental discretionary income assessment rate of 14 percent was set for families

with an adjusted gross income up to \$25,000. Other rate(s) may be set for families with an adjusted gross income which exceeds \$25,000.

- All equity in a single principal place of residence was excluded from assessable assets.
- A minimum asset reserve of \$10,000 was set.
- An additional farm or business asset reserve of at least \$50,000 was set.
- The asset reserve and asset assessment rate for the independent student with dependents must be the same as that for the dependent student's family.
- The method of computing the family size offset for the single independent student must be the same as that for the independent student with dependents and the dependent student.
- The discretionary income assessment rate for the independent student with dependents must be the same as that for the dependent student's family.
- The criteria for determining "independent student" status are to be established by the Secretary and published as regulations. However, the statute itself provides that a married student is considered to be independent if he or she certifies that in the year of application, he or she will not:
 - (1) live with the parents for more than six weeks,
 - (2) be claimed by parents as a dependent on any Federal tax return, or
 - (3) receive more than \$750 in support from parents.
- Beginning in 1982, the deadline for publication of the proposed Family Contribution Schedules (those that will be used in 1983-84) is changed from July 1 to April 1.
- For the 1980-81 and 1981-82 award years, institutions participating in the three campus-based programs are to use the need analysis systems approved by the Secretary. The final regulation for the 1981-82 Pell (Basic) Grant Family Contribution Schedules will be published within several months.

Cost of Attendance

The reauthorization bill provides for a single "cost of attendance" to be used for all Title IV student financial aid programs. An NPRM is being developed on this provision.

- The tuition and fee component will be the amount normally charged a full-time student at the institution. However, for the campus-based and GSL

programs, the NPRM will contain provisions that this amount is to be lowered to reflect appropriate averages for less than full-time students and in the interim use normal charges for three-quarter, half-time and, where applicable, less than half-time students.

- An allowance will be provided for books, supplies, transportation, and miscellaneous personal expenses.
- There will be four room and board allowances.
 - In 1981-82, a standard allowance of at least \$1,100 will be allowed for a student without dependents living with one or both parents.
 - For a student without dependents living in institutionally owned or operated housing, the institution will determine a standard allowance based on the amount normally charged most of its resident students for room and board.
 - For all other students without dependents, the institution will determine a standard allowance based on expenses reasonably incurred for room and board.
 - For a student with dependents, the institution will determine an allowance based on reasonable room and board expenses for the student and his or her dependents.

- Reasonable costs associated with a formal program of study abroad, which is part of an academic program at the institution, will be included.
- An allowance for child care expenses for students with dependent children will be included.
- For handicapped students, an allowance for those expenses related to the handicap which are not provided by other assisting agencies including special services, transportation, equipment, and supplies that are reasonably incurred, will be included.
- For a student taking a program of study by correspondence the "cost of attendance" will be limited to tuition and fees, and, if required, books and supplies, and travel and room and board costs incurred specifically in fulfilling a period of residential training.

For the three campus-based programs institutions may adjust the financial need determination on a case-by-case basis as they have in the past if the basis for the adjustment is documented.

For purposes of the GSL Program and the three campus-based programs, the effective date for using the new "cost of attendance" definition is October 1,

1980. However, for the remainder of the current award year, institutions are not required to recalculate their student budgets.

For purposes of the Pell (Basic) Grant Program, the effective date for the new "cost of attendance" definition is July 1, 1981.

Statement of Educational Purpose

The previous statutory requirement of an affidavit of educational purpose has been replaced by a requirement that the student file with his or her institution "a statement of educational purpose (which need not be notarized) stating that the [Title IV] money attributable to such grant, loan, or loan guarantee will be used solely for expenses related to attendance or continued attendance at such institution."

It should be noted that the Title IV regulation revisions published on June 24, 1980, included a revision to the regulations allowing the use of a non-notarized statement signed "under penalty of perjury" in place of the notarized affidavit. Institutions should continue to use this phrase in their statement of educational purpose.

Student Consumer Information Services

- Student consumer information must be produced and made readily available by the institution to all current students and to any prospective students upon request. The provision of Student Consumer Information materials is no longer tied to the institution's expenditure of an administrative cost allowance.
- The Student Consumer Information requirements remain basically the same. The new law dropped one requirement of retention data for courses of study and added the following two:
 - Information must be provided regarding physical access for handicapped students and any special services for handicapped students.
 - Information must be provided regarding the various types and kinds of accreditation or licenses under which the institution operates; upon request, a student may review all accreditation, State approval or licensure documents and reports.

We realize that printing costs are singularly heavy and suggest that the additional requirements in the amended Student Consumer Information section be met through an addendum to 1980-81 student information program materials.

Forms

- A common Federal financial aid application to determine eligibility for the campus-based and Pell (Basic) Grant programs must be developed in co-operation with representatives of agencies and organizations involved in student financial assistance. This form will be effective for the 1982-83 award year.

- No fee may be charged for processing the federally required data elements on the Federal financial aid application. Further information as to how this form is to be implemented will be supplied at a later date.

Other Student Assistance General Provisions

The new law adds the following provisions that will be contained in a forthcoming NPRM:

- A civil penalty of up to \$25,000 may be levied against an institution for each violation of the statute, or the program regulations, or for substantial misrepresentation of the nature of its educational program, its financial charges, and the employability of its graduates.
- A civil penalty is effective after the opportunity for a hearing on the record.
- The Secretary has the authority to compromise the civil penalty amounts through negotiation with the institution in question.
- The criminal penalties which formerly applied only to the GSL Program are extended to encompass all the Title IV student aid programs. The penalties provide for a fine of \$10,000 or imprisonment for not more than 5 years, or both if a person embezzles, steals or obtains funds by false statement or forgery.

Pell (Basic) Grant Program

The Basic Grant Program was renamed the Pell Grant Program. The Department of Education plans to implement the change in the name of the program from Basic Grants to Pell Grants as soon as possible. In making the transition; however, we want to make every effort to avoid confusion among the more than five million students who apply for these grants every year, and also to avoid imposing additional costs on postsecondary educational institutions, need analysis services, and other agencies by requiring the reprinting of applications and informational materials. The need analysis services participating in Multiple Data Entry and many postsecondary educational institutions have already printed their materials for the 1981-82 academic year in order to meet deadlines for institutional admissions calendars.

Since many agency and institutional forms and materials for 1981-82 have already been printed using the term "Basic Grants," we will continue to use that term for 1981-82 on the Federal materials sent to students. This will avoid the confusion of having the program referred to by two different names in the same year. During 1981-82 we will publish a series of announcements about the name change. These announcements will be directed to current and potential applicants, to members of the financial aid community, and to the general public. The training programs beginning in November 1980 which are directed toward the 1981-82 award year will emphasize the new name. Beginning with the 1982-83 award year, all materials concerning the program must refer to "Pell Grants."

- Duration of student eligibility was changed from four years (in some cases, five years) to the period of time required to complete the first undergraduate course of study being pursued by the student. As under the previous legislation a student who has already received a bachelor's degree is not eligible for a grant.

Institutions are encouraged to notify any students who have not yet received their first bachelor's, but have already received the maximum Pell (Basic) Grant assistance under the former statutory limitations, that they may now be eligible for additional assistance.

- The maximum grant dollar and the maximum cost of attendance percentage were changed to:

award year	maximum grant	cost of attendance
1981-82	\$1,900	50 percent
1982-83	\$2,100	60 percent
1983-84	\$2,300	65 percent
1984-85	\$2,500	65 percent
1985-86	\$2,600	70 percent

Note: In any year in which the maximum grant is between \$1900 and \$2100, the Pell (Basic) Grant shall be 55 percent of the cost of attendance.

- The percentage of reduction in the schedule used at less than full funding is triggered by the student's eligibility index, rather than the amount of entitlement.
- Required campus-based funding thresholds were revised and a threshold established for the State Student Incentive Grant Program.

SEOG Program

The following SEOG provisions are effective immediately:

- The purpose of the SEOG Program is to provide grants to students who demonstrate financial need in accordance with section 482 (need analysis). NOTE:

"Exceptional" financial need has been eliminated and, therefore, is no longer a requirement.

- The maximum SEOG has been increased from \$1,500 to \$2,000 per academic year.
- The "matching requirement" (i.e., the limitation which restricts the amount of a grant to one-half of the sum of the total amount of student financial aid made available to the student through the institution) has been eliminated.
- Although institutions will continue to request and receive initial year (IY) allocations and continuing year (CY) allocations, institutions may make transfers from their IY allocation to CY for making CY awards and transfers from their CY allocation to IY for making IY awards in a manner that the institutions determine will best meet their students needs. NOTE: Institutions will continue to be required to report IY expenditures and CY expenditures separately on their Fiscal Operations Report as of June 30, 1981.
- The duration of student eligibility has been changed from a maximum of 4 academic years (or five academic years for students pursuing a 5 year program or due to special circumstances) to the period required for the completion of the first undergraduate bachelor's degree.
- The aggregate maximum per student (i.e., limitation that restricts the amount a student may receive for 4 academic years of study to \$4,000 or \$5,000 for 5 academic years) has been eliminated.
- Institutions may use 10 percent of their allocation for less than half-time students who meet all other eligibility requirements listed in section 176.9 of the SEOG regulations.

College Work-Study Program

The following CW-S provision must be implemented immediately:

- New CW-S minimum wage: The law requires that as of October 1, 1980, all CW-S students must be paid at least the current Federal minimum wage (\$3.10 an hour through December 31, 1980 and \$3.35 an hour after December 31, 1980). If an institution is currently paying its CW-S students a subminimum wage it must, within a reasonable period of time, adjust each student's wage rate and pay the student the difference between the minimum and subminimum rate for the period between October 1, 1980, and the date the pay rate was adjusted.

The following CW-S provisions are effective immediately:

- The new purpose of the CW-S Program is to stimulate and promote the part-time employment of

students who are in need of earnings from employment to pursue courses of study at eligible institutions. NOTE: The emphasis on "great" financial need is no longer part of the purpose of the CW-S Program.

- "Carry forward": Eligible institutions are permitted to expend in the next year an amount of up to 10 percent of their current year CW-S allocation.

• "Carry Back": Eligible institutions also are permitted to expend in the current award year an amount determined by the Secretary not to exceed 10 percent of the amount they may receive from their next year's allocation. This means that beginning with this award year, institutions are authorized to use during 1980-81 an amount not to exceed 10 percent of their total CW-S 1981-82 Federal allocations. We expect to release the final 1981-82 CW-S allocations next Spring, at which time institutions may do the following: (1) withdraw up to 10 percent of their 1981-82 funds from their DFAFS accounts; (2) add those funds to their 1980-81 allocations; and (3) expend those funds during the current award period which ends June 30, 1981. If institutions use in 1980-81 any of their 1981-82 funds, their 1981-82 remaining funds available will be reduced by the amount they used in 1980-81. Institutions may use this provision to alleviate budget constraints due to the new CW-S minimum wage provisions mentioned earlier.

The purpose of these two provisions is to assist institutions in budgeting their CW-S expenditures and to protect them from incurring a deficit at the close of the award year.

- Institutions may use 10 percent of their CW-S funds for less than half-time students who meet all other eligibility requirements that are in section 175.9 of the CW-S regulations.

• To the maximum extent practicable, institutions shall provide employment that complements and reinforces the educational program or vocational goal of students receiving college work-study funds.

- The amount of an institution's CW-S allocation that may be used for establishing or expanding its Job Location and Development Program has been increased from \$15,000 to \$25,000. The 10 percent maximum was not changed.

The following CW-S provision requires an NPM:

The October 22 "Dear Colleague Letter" stated that "Institutions may use up to 10 percent of their CW-S allocation for expenses associated with establishing and operating a Community Service Learning Program." This is incorrect.

The funds which institutions are entitled to receive

under The Community Service Learning Program are for an administrative cost allowance. This administrative cost allowance is for expenses associated with establishing and operating a Community Service Learning Program and equals 10 percent of the CW-S wages (Federal and institutional share) paid to students employed under The Community Service Learning Program.

The Community Service Learning Program administrative allowance is separate from the College Work-Study administrative allowance. Institutions do not include compensation paid to students under the Community Service Learning Program when determining their administrative cost allowance under the College Work-Study Program.

The student's work will provide community service for or on behalf of low-income individuals or families and provide the student with work-learning opportunities related to their educational or vocational goals. The legislative history indicates that institutions should have maximum flexibility in implementing this program. To ensure institutions this flexibility, we are requesting extensive comments in order to develop regulations governing this program.

National Direct Student Loan Program

The following changes must be implemented immediately:

- New NDSL promissory note requirements: All IDSL promissory notes must be changed to include the following new provisions that are effective immediately for any loans made on or after October 1, 1980:

- (1) The interest rate is increased from 3 percent to 4 percent;
- (2) The grace period is decreased from 9 months to 6 months;
- (3) A new 6-month grace period is provided after statutory deferment periods;

- (4) There are four new types of deferments: (1) Volunteer service in a private non-profit, VISTA or Peace Corps type organization; (2) Service as an officer in the U.S. Public Health Service Commissioned Corps; (3) Temporary total disability; and, (4) Service in an internship preceding a professional practice.

- (5) Institutions may now extend the repayment period up to 10 additional years for low-income individuals. (NOTE: As indicated below the term "low-income" must be defined in regulations).

- (6) The definition of handicapped children for purposes of teacher cancellation has been changed.

These new provisions are more fully described below. An Addendum to the model promissory note set forth in Appendix B of the NDSL August 13, 1979, regulations is on page 12. Institutions must use this Addendum for all loans made on or after October 1, 1980, during the 1980-81 award year. Institutions are to use this Addendum and change the interest rate, grace period, and teacher cancellation provisions on their current note forms. The borrower must initial those changes, and sign and date both the original promissory note form and the Addendum. We plan to provide institutions with a revised model promissory note that will incorporate all of these new provisions.

New NDSL Procedures: Under the new law, all loans made on or after October 1, 1980, are subject to all of the new NDSL provisions. Any notes signed on or after October 1, 1980, must contain the changes mentioned above and the Addendum. It is clear that on October 1, many institutions were in various stages of processing loans under the earlier NDSL terms and conditions. To assist these institutions in making a transition from the old to new terms of the note, we are providing the following guidance:

1. If a student signed a close-ended promissory note for the 1980-81 award year before October 1, 1980, the institution may continue to advance funds to the borrower for the 1980-81 award year under the terms of that note.
2. If a student signed an open-ended promissory note and signed for an advance of funds between July 1, 1980 and September 30, 1980, that advance is considered made under that note. The institution has two options with regard to subsequent advances. It may close the note as of September 30, 1980, and issue a new note, or it may continue to make advances under the existing note for the remainder of the 1980-81 award year. This option must be exercised uniformly for all students unless a student requests a new promissory note containing the new NDSL provisions.

An institution may *not* make changes to a signed promissory note. If an institution chooses to issue a new note, it must close the old note as of September 30, 1980. An institution may issue a new note by making changes to a blank promissory note form. This is done by amending the face of the blank note form and by attaching The "Addendum to The NDSL Promissory Note."

3. If a student had an open-ended promissory note but did not sign for any advances between July 1, 1980 and September 30, 1980, the institution must

lose the note as of September 30, 1980. Any advances made on or after October 1, 1980 to that student must be made under a new note. NOTE: Notes signed prior to October 1, 1980, may not carry the new provisions specified in the following section.

The following NDSL provisions only apply to loans made on or after October 1, 1980 and are effective immediately:

- Aggregate loan limits are increased from 10,000 to \$12,000 for a graduate student, from 5,000 to \$6,000 for a student who has completed two academic years of study towards a bachelor's degree and from \$2,500 to \$3,000 for a student who has not completed two academic years of study toward a bachelor's degree.
- A borrower is entitled to a grace period after ceasing to be at least a half-time student before the repayment period begins. The length of the grace period has been changed from 9-months to 6-months.
- Borrowers are also entitled to a 6-month grace period after the completion of a deferment period for study, service, or disability. Deferment and grace periods are not included in the 10-year maximum repayment period.
- The special independent student status for veterans has been deleted; therefore, veterans must comply with the same requirements that other students must meet to be considered independent. (If re-evaluation of a veteran's need becomes necessary after October 1, and if a reduction of need results because of a change in the veteran's dependency status, the institution is not required to reduce the NDSL in order to avoid an overaward. In these cases, an overaward is not considered to have been made and, therefore, no monetary liability will be assessed against the institution during this award year ending June 30, 1981).
- At the time a loan is made, institutions are now required to provide the borrower with the following information:
 1. maximum loan amounts that may be borrowed;
 2. repayment terms;
 3. maximum number of years in which the loan must be repaid;
 4. the interest rate and the minimum monthly payment;
 5. other entitlements the borrower may have for deferral, cancellation, repayment, consolidation or other refinancing of the loan;

6. a definition of default and consequences to the borrower if he or she defaults; and

7. the effects of accepting the loan on the eligibility of the borrower for other types of student assistance.

The following NDSL provisions also are effective immediately:

- The new law changed the definition of handicapped children used for determining teacher eligibility for loan cancellation to the definition of handicapped children contained in Section 602(1) of the Education of All Handicapped Children Act, P.L. 94-142, which is as follows:

"Handicapped children" means mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or other health impaired children or children with specific learning disabilities who by reason thereof require special education and related services.

The new definition includes children with specific learning disabilities. This change in definition is effective for the 1980-81 academic year and is applicable to both new and old loans. Therefore, any NDSL borrower teaching children with specific learning disabilities during the 1980-81 award year is entitled to cancellation for teaching handicapped children. However, the teaching of children with specific learning disabilities performed prior to the 1980-81 academic year does not qualify for cancellation. At the exit interview, institutions should advise students with 3 percent loans of this change in the definition of handicapped children. Further, institutions are reminded that under section 174.42(f) of the NDSL regulations they are required to keep all borrowers informed of all changes in the program that affect the borrowers' rights or responsibilities.

- Cancellation of a direct student loan, including the interest, shall not be considered as income for purposes of Federal income tax.
- The law now requires that the Secretary enter into cooperative agreements with credit bureau organizations to provide for the exchange of information concerning student borrowers whose loans have been referred to the Secretary for collection.

The following NDSL provisions require an NPRM:

- The repayment period for any student borrower who during the repayment period is a low-income individual may be extended for a period not to exceed ten years, and the repayment schedule may be adjusted to reflect the income of that individual.

- The following new deferment provisions apply to loans made on or after October 1, 1980.

1. Borrowers are entitled to a deferment not to exceed three years—

for services comparable to Peace Corps or VISTA as a full-time volunteer for an organization which is exempt from taxation under Section 501(c)(3) of the IRS Code;

if they are temporarily totally disabled or the borrower is unable to secure employment because of the care of a spouse who is disabled;

for service as an officer in the Commissioned Corps of the U.S. Public Health Service.

2. Borrowers are entitled to a deferment not to exceed two years for serving in an internship required to begin professional practice or service.

NDSL Borrowing Authority

The Amendments to the NDSL Program provide for the authorizations of new Federal capital under the existing appropriations language or provision of Federal capital through an alternative borrowing authority. This alternative method provides that, subject to limits imposed by the appropriations committees, the Secretary shall borrow loan fund capital through the Department of the Treasury or the Federal Financing Bank. There will be major changes in the operation of the NDSL Program if loan fund capital is made available to institutions through the borrowing authority.

Some of these changes include: 1) loans will no longer require the matching institutional capital contribution of 10 percent; 2) institutions will have the option either to assign notes for collection to the Secretary or provide loan servicing under an agreement with the Department of Education; 3) there will be a new system for allocating loan fund capital each year which eliminates the old State allotment formula; and 4) allocations to institutions will not result in any institution receiving less than it used for making loans in the 1979-80 award year.

Eligible institutions that do not now participate in the NDSL Program, but which might participate under the new loan provisions established by the borrowing authority for Federal capital, are advised to complete the NDSL portion of the new Application to Participate in Federal Student Financial Aid Programs which is due on November 17, 1980.

Guaranteed Student Loan Program

• *Loan Maximums*

The law as amended eliminates the broad category of undergraduate student borrower and establishes in its place two separate categories. These are the dependent undergraduate student and the independent undergraduate student. The independent undergraduate student is eligible for higher annual and aggregate loan amounts than the dependent undergraduate student. The law also raises the aggregate loan limits for each category of student borrower. The loan limits are as follows:

Category of borrower	Annual Loan Limits	Aggregate Loan Limits
Dependent Undergraduate	\$2,500	\$12,500
Independent Undergraduate	\$3,000	\$15,000
Graduate or Professional	\$5,000	\$25,000

The aggregate amount for graduate or professional students includes loans obtained at the undergraduate level.

Effective Date of the New Loan Limit Provisions

The provisions authorizing higher loan amounts are effective for loans disbursed on or after January 1, 1981. If a student loan application is processed prior to January 1, but the loan is not disbursed until January 1 or later, the new loan limits apply. Furthermore, the amount of the loan may be applied to cover costs incurred by the student for the period of enrollment which may begin prior to January 1.

Application Processing Guidelines

This section provides guidance to schools on how to treat applications received from undergraduate independent students who are applying for annual loan amounts in excess of \$2,500, or an aggregate amount greater than \$12,500.

Note that a student who is determined to be independent and who has already borrowed \$2,500 for this academic year may apply for a supplemental loan, provided the student's application shows remaining eligibility. The supplemental loan when combined with the student's first loan may not exceed \$3,000, the annual maximum authorized for an independent undergraduate student.

Until regulations are issued for the GSL Program defining the terms "dependent" and "independent" student, schools should use the campus-based or Pell (Basic) Grant definitions and apply them to the GSL Program. Note, however, that for purposes of

Program a borrower may be dependent on a
ardian, not just the natural or adoptive
therefore, when a student is answering the
tions which appear on the Pell (Basic) Grant
ion for the purpose of determining whether
dependent or independent, a legal guardian
ship must be taken into account.

questions are as follows:

or will the student live with the parents for
in six weeks?

1979 Yes No in 1980 Yes No
or will the parents claim the student as an
tax exemption?

1979 Yes No in 1980 Yes No
or will the student receive more than \$750
support from the parents?

' answer to all the above questions means the
is independent. It is important to keep in
it currently a student's status is a matter of
to schools only if an undergraduate student
ng for an annual loan amount in excess of
When the Parent Loan Program is imple-
further instructions on these determinations
rovided.

majority of cases the school will have no
seek out the student's statement on
nt or independent status because the
ion will be available from the aid applications
student already submitted. If the information
ailable, then obviously the school will have
it. Schools should print these six questions
certification on a separate form to be used
ly for the GSL Program. In addition, if the
record indicates independent status, the
ill have to ask the student to reestablish
tatus because as noted above a student can
s an independent student under the Pell
Grant or campus-based programs but be
nt for purposes of the GSL Program because
ible dependency relationship on a legal

student is independent, the school must
is fact on the application by entering the
DEPENDENT" in bold face in a conspicuous
in the school section of the application.

Late and Grace Period Changes (GSL Program A(a))

terest rate has been raised from 7 percent to
t for any new student borrower who obtains
nder the GSL Program for a period of in-
beginning on or after January 1, 1981. A
rrower is a student who does not have an
ing GSL on the date the promissory note is
Students whose loans carry a 9 percent
ate will be subject to a fixed 6-month grace
duced from the 9-12 months.

The interest rate will remain at 7 percent on loans
made to student borrowers with outstanding GSLs. If
a borrower does not have any GSL indebtedness on
the date the promissory note is signed but the loan is
made for a period of instruction beginning prior to
January 1, 1981, the interest rate will still be at 7
percent. New loans borrowed at the 7 percent
interest rate continue to carry the 9-12 month grace
period.

Loans to Parents

A program of loans to parents for dependent
undergraduate students is established by section
428B of the new law. The maximum amount a parent
may borrow for any one student in any academic
year is \$3,000. The aggregate loan limit for each
dependent student is \$15,000. Repayment is required
to begin within 60 days after disbursement, and there
is no in-school Federal interest subsidy on these
loans. Lenders will receive the special allowance on
the same basis as for student loans. The interest rate
will be 9 percent. The effective date on the loans to
parents program is January 1, 1981; however, there
will be some States where the loans to parents
program will not be implemented until well after
January 1 because of the need for guarantee
agencies to change State laws.

Additional Changes

There are additional GSL Program legislative
changes that we will explain later.

State Student Incentive Grant Program

- States are no longer required to distinguish
between initial and continuation awards.
- The annual maximum is increased from \$1,500
to \$2,000 (still dollar for dollar matching).
- Graduates as well as undergraduates will be
allowed to participate in the SSIG Program, at the
option of the State agency.
- SSIG awards may be made to less than half-
time students at the option of the State agency.
- Section 415E is repealed; bonus allotments are
no longer authorized.

Addendum to NDSL Promissory Note

I understand and agree that in addition to the
changes made directly on the original note which I
have initialed concerning the changes in the interest
rate from 3% to 4% and the change in the grace
period from 9 months to 6 months, any funds
advanced to me under this note are subject to the
following additional provisions.

(1) Notwithstanding paragraph II(2), if I qualify as a low-income individual during the repayment period, the lending institution may, at my request, extend the repayment period for up to an additional 10 years or adjust any repayment schedule to reflect my income, or both.

(2) Interest will not accrue and installments need not be paid for a period not in excess of 3 years during which time I am —

(A) a full-time volunteer in a tax exempt organization comparable to the Peace Corps or to VISTA,

(B) temporarily totally disabled as established by sworn affidavit of a qualified physician, or unable to secure employment because of providing care required by a spouse who is so disabled, or

(C) an officer on full-time active duty in the Commissioned Corps of the U.S. Public Health Service.

(3) Interest will not accrue and installments need not be paid for a period not in excess of two years during which time I am serving in an internship which is required in order to receive professional recognition required to begin professional practice or service.

(4) Interest will not accrue and no repayment of principal or interest will be required until 6 months after the completion of any deferment period described in paragraphs III(3)(A) and III(3)(B) of the Promissory Note and paragraphs (2) and (3) of this addendum at which time interest will begin to accrue and repayments will be required.

5. The following paragraph supersedes paragraphs III(4)(B) of the Promissory Note:

(B) as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or other health impaired children, or children with specific learning disabilities who by reason thereof require special education and related services) in public or other nonprofit elementary or secondary school system.

This loan will be cancelled at the following rates: 15 percent of the total principal amount of the loan plus interest on the unpaid balance will be cancelled for the first and second complete academic years of that teaching service; 20 percent of the total principal amount plus interest on the unpaid balance for the third and fourth academic years of the teaching service; and 30 percent of the total principal amount plus interest on the unpaid balance for the fifth complete academic year of that teaching service.

6. I understand that if I default on my loan repay-

ments and the loan is referred to the Secretary for collection, the Secretary may disclose the fact that I have defaulted, along with other relevant information, to credit bureau organizations.

Signature _____

Date _____, 19____

Signature of endorser _____ (if applicable)

Date _____, 19____

School Owner Convicted

On April 9, 1980, Thomas L. Eden, former owner of Associated Colleges of California, was indicted by the Federal Grand Jury for the Central District of California on seven counts of theft of Government property and four counts of fraud against the Government. The indictment charged Eden with embezzling approximately \$55,000 in Department of Health, Education, and Welfare funds entrusted to Associated Colleges for student financial aid. He was also charged with the subsequent cover-up of that embezzlement.

Eden pleaded innocent to the indictment and a trial was held on June 17, 1980. Eden was subsequently found guilty on all 11 counts of the indictment and was sentenced by United States District Judge Lawrence T. Lydick to three years in prison and a \$110,000 fine.

1980-81 Campus-Based Program Funds Reallocated

1979-1980 unexpended funds reported to us last summer by colleges and universities were recently reallocated for use during the current 1980-81 Award Period. The funds which were available for reallocation were distributed first to institutions adversely affected by natural disasters, and then to institutions with national fair share shortfalls:

Natural Disasters — We distributed \$3,206,334 of College Work-Study (CW-S) funds to 76 institutions, \$2,530,053 of National Direct Student Loan (NDSL) funds to 44 institutions, and \$4,247,118 of Supplemental Educational Opportunity Grant (SEOG) funds to 86 institutions to aid students who suffered financial hardships as the result of disasters caused by the eruptions of Mt. St. Helens, and the floods, droughts, and tornadoes which occurred in areas subsequently declared as disaster areas by the President of the United States.

National Fair Share Shortfall — We then distributed a total of \$3,922,809 to 610 institutions under the NDSL Program, and \$14,918,837 to 650 institutions under the CW-S Program. There were no SEOG funds available for distribution under this part.

Funds Transferred Between CW-S and SEOG Programs Must Be Reported

According to sections 175.21 and 176.21 of the August 13, 1979 campus-based program regulations, an institution may transfer up to 10 percent of its allocation for an award year from its Supplemental Educational Opportunity Grant (SEOG) Program to its College Work-Study (CW-S) Program and vice versa. The institution must use the funds, when transferred, according to the requirements of the program to which the funds are transferred.

Institutions receive allocations for the SEOG and CW-S programs under separate document numbers which appear on the award letter and on the Departmental Federal Assistance Financing System (DFAFS) 27 Report. Institutions will have separate document numbers for CW-S and Initial Year (IY) and Continuing Year (CY) SEOG allocations.

In reporting SEOG CY, SEOG IY, and CW-S expenditures to DFAFS, institutions must report any expended funds transferred from one program to the other program as an expenditure under the document number of the program FROM which the funds were transferred.

Reimbursement Checks Mailed

Payment letters for NDSL Teacher/Military Cancellation reimbursements were mailed out to institutions in October. Reimbursement checks totalling approximately \$18 million were mailed to 1,844 institutions. These payments are based on loans partially cancelled during the period July 1, 1978 through June 30, 1979.

Teacher Cancellation List Published

The 1980-81 listing of low-income schools for teacher cancellation benefits under the National Defense and Direct Student Loan (NDSL) Programs was published in the FEDERAL REGISTER as a separate Part III, Volume 45, on October 14, 1980. Two copies of the publication were mailed to the financial aid administrator of each institution participating in the NDSL Program.

The listing is coded because the criteria for the selection of low-income schools differ between the two programs. The statutory provisions governing both programs specify that the school must be a public or other nonprofit elementary or secondary school which is in the school district of local educa-

tional agencies eligible for assistance under Title I of the Elementary and Secondary Education Act of 1965. The *Defense Loan Program* provisions also specify that the state may not list more than 25 percent of its total number of schools, unless all of the schools included on the list have low-income enrollments in excess of 50 percent. The *Direct Loan Program* provisions specifically prohibit the states from including a school unless the enrollment of low-income students exceeds 30 percent of the school's total enrollment. However, no more than 50 percent of the total number of schools in that state receiving assistance under Title I may be listed.

All code 1 schools were reported to us as having in excess of 30 percent low-income enrollment and as falling within the state's 25 percent allowance. Therefore, borrowers with *Direct* and *Defense Loans* qualify for maximum cancellation, if they taught at code 1 schools. All code 2 schools were reported as generally not exceeding 30 percent low-income enrollment but falling within the 25 percent allowance. Therefore, only borrowers with *Defense Loans* would qualify for maximum cancellation, if they taught at code 2 schools. All code 3 schools were reported as having in excess of 30 percent low-income enrollment but not falling within the 25 percent allowance. Therefore, only borrowers with *Direct Loans* would qualify for maximum cancellation, if they taught at code 3 schools.

There will undoubtedly be many cases where borrowers who obtained both *Defense* and *Direct Loans* will qualify for maximum cancellation for only one program. Therefore, borrowers should be advised of the different criteria for selection and the restrictions on the number of schools that can be listed under each program. If a borrower would like to receive further details regarding the method of selecting schools in his/her state, advise the borrower to contact the state Department of Education.

Questions pertaining to the FEDERAL REGISTER listing, or requests for additional copies, should be directed to the Services and Collections Section, Campus and State Grants Branch, Division of Program Operations, Office of Student Financial Assistance, or by calling (202) 245-9640.

Requirements Change for Submitting Uncollectible NDSL Notes

An update of the procedures for handling certain National Defense/Direct Student Loan (NDSL) Program notes which have been classified by institutions as uncollectible is being prepared. The requirements for the submission of notes which may

be assigned or referred to the U.S. Government during the 1980-81 Award Period have changed lightly. The major change that we want to advise everyone of at this time is that an original and one copy of OE Form 553 MUST be properly completed for each account that is submitted. Spread sheets, computer printouts, etc., will not be accepted and the form must bear the *original* signature of the authorizing official. A new form that will accommodate assignments and referrals is being prepared, and we hope to have it available for distribution in early January 1981. A moderate supply of the new form will be automatically forwarded to all institutions.

Lenders Must Sign New Agreement with Secretary

A provision of the Education Amendments of 1980 amends Section 433A of the Act to require that the Secretary of Education enter into agreements with all eligible lenders to ensure that each lender is providing thorough and accurate loan information to borrowers in both the student and parent loan programs. The information required in Section 433A is as follows:

1. The yearly and cumulative maximum amounts that may be borrowed by a student/parent.
2. The terms on which repayment will begin.
3. The maximum number of years in which the loan must be repaid.
4. The interest rate that will be repaid, and the minimum amount of required monthly payment.
5. Any special options the borrower may have for deferral, cancellation, prepayment, consolidations, or other refinancing of the loan.
6. A definition of default and the consequences to the borrower if the borrower should default, including a description of any arrangements made with credit bureau organizations.
7. To the extent possible, the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance.

Forms are being drafted for the student and parent loan programs to assist lenders in meeting these counseling requirements.

Because of this addition to Section 433A, we are taking this opportunity to update our existing Contract of Insurance for lenders that make and/or acquire Federal Insured Student Loans (FISLs). And, for the first time, we are obtaining Agreements from

lenders that make and/or acquire loans insured, guaranteed, or endorsed by a Guarantee Agency.

Contracts will be mailed directly to the FISL lenders. Agreements will also be mailed to each Guarantee Agency lender. One Contract/Agreement will be required for each *Federal* Lender Identification Number (LID) which is being used currently to make or service loans (e.g., requesting interest and special allowance, obtaining insurance commitments for Norfolk, filing claims with the Regional offices, etc.).

Basic Grant Formula Booklet Revised

Are you using the correct "Basic Grant Formula" book? Regulations published on June 24, 1980, modified the 1980-81 Basic Grant eligibility formula for dependent students. The modification benefited the dependent student whose parents' offsets exceeded their discretionary incomes and their assessable assets. The modified formula provides that any leftover "negative discretionary income" will increase the amount of the student's income that is protected from assessment.

The first edition of the "Basic Grant Formula" booklet had already been printed and distributed before the June 24 amendment was published. The dependent student worksheets in these booklets are out of date. The covers of the revised booklets have green backgrounds; the covers of the old booklets have white backgrounds.

Are you Using the Correct Basic Grant Payment Schedule?

On July 2, 1980, the Congress enacted language which directs the Administration to reduce each student's Basic Grant by \$50 for the 1980-81 award year. A new Payment Schedule reflecting this reduction was mailed in August to all institutions participating in the Basic Grant Program.

A review of some of the 1980-81 SERs that have been submitted with AD-Hoc and October Progress Reports indicates that some institutions may not be using the correct Payment Schedule. Some institutions have reported scheduled Basic Educational Opportunity Grant awards that exceed the maximum of \$1,750. Also, awards to students attending less than full time have been miscalculated.

If the "Dear Colleague" letter on the first page of the 1980-81 Payment Schedule you are using is dated February 1980, you are not using the correct Payment Schedule. The 1980-81 Payment Schedule that reflects the \$60 reduction is dated Summer 1980. For a copy of the correct BEOG Payment Schedule please write to:

Basic Grant Payment Schedule
P.O. Box 84
Washington, D.C. 20041

Because of the limited number of available copies, please request no more than 2 copies.

Basic Grant Quality Control Project Awarded

The Office of Student Financial Assistance (OSFA) has contracted with Advanced Technology, Inc. of McLean, Virginia and Westat, Inc. of Rockville, Maryland to conduct a three-year Basic Grant Program quality control project.

The primary objectives of this project are to:

1. Assess the accuracy of the data and procedures used to determine student eligibility and to disburse Basic Grants to students for the 1980-81 funding year.
2. Determine administrative actions to reduce inaccuracies in the Basic Grant Program.
3. Design, test, and install an ongoing quality control system to measure, analyze, and report on Basic Grant Program performance.

During the first year of the project, the contractor will:

- Design data collection forms and train a group of highly qualified interviewers. The data collection forms will be used to obtain statistically reliable information on the accuracy of student application data, institutional disbursement procedures, and application processor activities.
- Ask 4,000 Basic Grant recipients and their parents, 400 postsecondary education institutions, and the central and satellite application institutions, and the central and satellite application processors to complete the form. OSFA is in the process of selecting a statistically representative sample of

Address Change

The OSFA Service Center, formerly known as Pre-Claims Assistance Center, has moved from Arlington, Virginia to Capitol Heights, Maryland.

The new address to which you should send the skip-trace requests is:

OSFA Service Center
P.O. Box 8535 (for GSL)
or
P.O. Box 8594 (for NDSL)
Capitol Heights, MD 20027

Because there is a large inventory of envelopes with the old Arlington, VA preprinted return address, the Service Center will continue to use them until the supply is exhausted.

institutions to participate in the project. We are contacting the institutions selected to request their participation.

- Use the information obtained from the data collection forms to determine current Basic Grant Program error rates and to make a comparison of the error rates identified in the quality control project conducted during the 1978-79 school year.
- Analyze the costs and benefits to reduce these error rates.

At the end of the first year, a Management Options Report will be prepared. The report will give program managers the information needed to correct institutional procedures for 1981-82 funding and application procedures for the 1982-83 processing year.

During the second year of the project, the contractor will design and test an ongoing quality control system which will continuously measure and analyze Basic Grant Program performance. A set of "Quality Control Manuals" will be published. The manuals will contain a comprehensive system design detailing implementation and operational procedures, analytical data and reporting techniques, and resource requirements.

The quality control system designed in the second year will be installed during the third year of the project. The results of this project will assist OSFA in maintaining the integrity of the Basic Grant Program and ensure that public funds are distributed fairly and equitably. Your participation and assistance in this effort will be appreciated.

Corrections

An incorrect telephone number for the Division of Institutional Development appears on page 2 (line 17) of the 1981-82 FISAP application. The correct telephone number is 202-245-2338.

September Bulletin page 4—FISAP Data Must Be Accurate. The reduction of the award to the community college was \$300,000 not \$3 million.

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DEPARTMENT OF EDUCATION

OFFICE OF STUDENT FINANCIAL ASSISTANCE
WASHINGTON, D.C. 20202

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